A man and a woman are shown from the chest up, embracing each other on a beach. The man is on the left, wearing a light-colored sweater, and the woman is on the right, wearing a patterned sweater. They are both smiling and looking at each other. The background is a soft, out-of-focus view of the ocean and a bright sunset or sunrise, with warm golden light filling the scene.

Looking to the Future

The 401(k) Retirement Plan for
State of Michigan Employees

About the Office of Retirement Services

The Office of Retirement Services (ORS) oversees and administers retirement programs for Michigan's state and public school employees, judges, and state police. Our vision is to provide fast, easy access to complete and accurate information and exceptional service for our more than half million members.

About This Publication

Newly-hired employees of the state of Michigan have retirement benefits under the state's 401(k) retirement plan. This publication provides an introduction to the plan, as well as an overview of the optional 457 Deferred Compensation Plan. A brief discussion of disability and insurance benefits is included.

The intent of the publication is to summarize basic plan provisions. Should there be discrepancies between this publication and the actual law and plan documents, the provisions of the law and plan documents govern.

The information contained in this booklet is not intended to provide legal, tax or investment advice. For such advice, employees and participants should contact their legal, tax, or investment advisors.

Historic investment performance is not necessarily indicative of actual future investment performance, which could differ substantially.

Thank you to CitiStreet for underwriting the cost of this publication.

Looking to the Future

**The 401(k) Retirement Plan
for State of Michigan Employees
March 2004**



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I. Welcome to State of Michigan Employment!

Perhaps one of the factors influencing your decision to embark on a career with this great state was its reputation for providing excellent benefits. We know that you want to learn all you can, as soon as you can, about your retirement plan—your future financial security depends on it! This booklet provides a brief introduction to the state of Michigan's retirement package so that you can begin making plans to maximize your benefits. A complete packet of retirement plan information will be mailed to your home a few weeks after you begin working.



II. Your State Retirement Plan

The state of Michigan wants its employees to be rewarded with financial security in retirement. As such, the state not only contributes a defined amount to your 401(k) retirement account, it offers an employer match if you also contribute to your 401(k).

The 401(k) and the State Match

A **401(k) plan** is a retirement savings plan, authorized by Congress, where contributions are put in an investment account set up in your name by your employer. Contributions to the account by payroll deductions, as well as any changes in the account's value due to investment earnings, are not taxed until you withdraw the funds in retirement. Your retirement benefit depends on how much money is put in the account and how well your investments do.

The **state** contributes an **amount** equal to **4%** of your **gross wages** into your **401(k)** for your retirement.

People use the term "401(k)" when talking about a retirement plan where they have a say in contributions and investments. You might also hear them called **defined contribution retirement plans**, or DCRPs.



*401(k) plan
defined
contribution
retirement plan*

The state gives you four, and you can get three more.

The state of Michigan, beginning with your first paycheck, will contribute an amount equal to 4 percent of your gross salary to your 401(k) account. In addition, it will match any



contributions you make to the account, up to another 3 percent per pay period. A contribution of seven percent of your gross salary, accumulated over time, can mean some significant retirement savings!

Let's say your gross biweekly salary is \$1,000. Each pay period, the state automatically puts \$40 into your 401(k) account. If you put in 3 percent, your \$30 will be matched with another \$30. In short, set aside a mere 3 percent of your salary in your 401(k) along with the state's contribution to get a total of 10 percent. Not a bad plan, when for each \$1,000 you earn, \$100 is invested for your retirement.

Of course, you can contribute more than 3 percent of your salary to your retirement plan, and we encourage you to consider doing so.

Additional Deferred Compensation Options

In addition to your 401(k) retirement plan, there are additional ways to defer income as well as taxes. **Deferred compensation** plans can include a 401(k) as well as other plans. Essentially, you elect to defer a portion of your compensation, saying, I'll take my wages later. Until "later" comes, usually when you retire, those wages aren't taxed. Not only that, more of your money is working for you over time because taxes on the account's earnings are also deferred until retirement.

Two options for your deferred compensation.

As a state employee, you have two options for your deferred compensation—the 401(k) plan and an optional 457 plan. This gives you higher limits because you can contribute the maximum allowed by Congress in the 401(k) and then save even more in the 457. And, because each plan may have different tax regulations, contribution limits, hardship withdrawals, and loan options, having two options can mean a better fit with your retirement goals.

The enrollment packet that you will receive a few weeks after you begin working provides full details along with a handy comparison chart to help you decide how to utilize the 401(k) or 457. Be sure to consider directing your first 3 percent of payroll contributions to the 401(k) plan so that you receive the state match.



*deferred
compensation*

Don't delay! Begin
contributing at
least 3% into your
401(k) Plan today.

If you've directed your first 3 percent into the 401(k) plan so you get the employer match, pick either the 401(k) or 457—for the rest of your deferred compensation. Say, for example, you authorize 15 percent of your salary for your retirement plan. Three percent of the 15 could go into the 401(k) account along with the state's 7 percent. You can then have your remaining 12 percent go into either, or both, accounts—it's your choice.



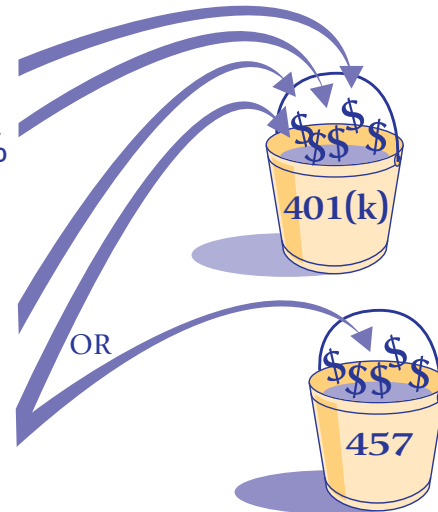
Automatic 4%

Matching (up to) 3%



Your First 3%

Anything Above
Your First 3%



Key Features of Your Plan

The generous retirement plan offered by the state of Michigan was designed to meet the needs of today's mobile workforce. Here are some key features:

- You decide how to invest your money, how much you want to contribute, and how you want it paid to you when the time comes.
- You have immediate eligibility and full vesting with as little as four years of service. (See Your Ownership of Account Funds)
- You may be able to borrow from the plan in special situations.
- You can take your vested contributions and earnings with you if you change employers.
- You have a wide array of investment choices.



The beauty of payroll deductions.

Retirement plans that offer tax-deferred savings provide what may be one of your best opportunities to amass wealth, especially if you start early. Need convincing? Read on:

- Uncle Sam helps cover the cost. Because your income taxes are based on your pay *after* your contribution is deducted, your paycheck won't be reduced by as much as you have authorized. Say, for instance, you're in a 30 percent tax bracket. If you contribute \$10, your paycheck is only reduced about \$7. Wouldn't you rather put money in your own savings than hand it over in taxes?
- It's easier to save. Having your contributions deducted from your paycheck is so painless, odds are you won't even miss it.
- Regular payroll deductions can help balance out investment ups and downs.

Make the most of this great benefit!

Between the employer matching, tax advantages, and compounding over time, it can be amazing how money may grow. Financial planners encourage workers to take full advantage of employer-sponsored retirement plan offerings, so consider putting in as much as you can.



Your Ownership of Account Funds

You have the right to withdraw any of your *own* contributions (including your initial 3 percent) once you terminate state employment, though there could be tax liabilities and penalties if taken before you reach certain IRS-determined age requirements.

With a 401(k) plan
you get to manage
your own investments.

Your ownership of the contributions made by the state is based on a **vesting** schedule. You are fully vested after four years of state employment. After two years you are 50 percent vested, therefore you could withdraw 50 percent of your state-contributed funds after you leave state employment. You are 75 percent vested after three years.

Throughout the 4-year vesting period the state contributes to your account, allowing you to manage the investments and track your progress toward retirement goals. All contributions and earnings are reflected on your statements, even though the state's contributions are not fully yours until you meet the vesting terms. If you leave state employment before you are fully vested at four years, all *unvested* state contributions are permanently forfeited.



vesting

CitiStreet - The Plan Administrator

The state has selected CitiStreet, a leading provider of pension savings plans in the United States, to administer your retirement plan. Besides researching investment funds for the state plan, CitiStreet handles enrollment, record keeping, customer service, education, and communication.



You'll find that CitiStreet information is readily available, and customer service representatives are always eager to help you. You can get round-the-clock service at CitiStreet's fully interactive web site at **<http://stateofmi.csplans.com>**. Or if you'd rather hear a friendly voice, call (800) 748-6128 during normal office hours. You can also make an appointment to see a CitiStreet representative at the ORS main office in Lansing. (Complete contact information can be found at the end of this booklet.)

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A State Street and Citigroup Company

III. Getting Started

Each pay period, the state provides employee information to CitiStreet. New employees are identified and sent an enrollment kit, and a personal identification number (PIN) follows under a separate cover. This kit, which you should receive within a few pay periods following employment, will give you full access to CitiStreet's web and phone services.

As soon as you get your PIN you'll want to consider logging on or dialing up to start your payroll deductions to take advantage of that 3 percent state match. You will need to designate how much of your biweekly salary you'd like withheld, and whether you want the 401(k) or 457 plan for your contributions above 3 percent. At this time, you should also name a beneficiary for your account funds using the form provided with your enrollment kit.

A Wide Choice of Investments

When you sign up, you'll also get to choose among a wide variety of investment funds. CitiStreet, as the plans' administrator, analyzes funds that invest in stocks, money markets, and bonds, and offers a variety of investment choices that will help you develop a diversified retirement portfolio.

Until you make your choice of investment funds, your contributions will default into a conservative, low-return fund. That's why it is important to promptly tell CitiStreet how you want your money invested. Choose funds that better fit your investment goals and tolerance for risk while considering your age and family composition.

Be sure to tell
CitiStreet how
you want
your money
invested.

Details about investment options are provided in your CitiStreet information packet, as well as on the CitiStreet web site.



Stay in Charge – Your Money Matters!

After you've started the ball rolling, remain an active manager of your money. After all, your retirement account may be one of your largest assets, and a principal part of your total retirement package. Take charge and stay in charge—your retirement account is too important to leave to chance.

Be sure to promptly notify CitiStreet if your beneficiary information changes. Just go to the Plan Web site or call the Plan Information Line for a new beneficiary form. Of course, should you move on to other employment but leave your retirement funds with CitiStreet, you'll also want CitiStreet to know where to send your statements and updates.

Learn All You Can

Learning about all your retirement plan options may seem overwhelming at first. Relax and learn what best fits your style. Here are some tools to help you:

- **Welcome Materials.** CitiStreet's welcome packet provides helpful guidance on how to get started, how much to contribute, how to allocate among the fund choices, and when and how to make changes. Then, with just a mouse click or phone call, you can begin or change your payroll deductions, check account balances, look at various

investment funds and their performance, move money around from fund to fund, request forms, or access a wealth of other investment information.

- **Quarterly Statement and Newsletter.** At the end of each calendar quarter, CitiStreet will send you a detailed, easy-to-understand statement of your account, along with a newsletter filled with investment information and plan updates.
- **Retirement Planning and Investment Courses.** Michigan's Department of Civil Service offers several free classes on investing and on the 401(k) and the 457 plans. Even those who consider themselves knowledgeable about retirement planning and investing tell us how valuable these courses are. We recommend that all state employees take advantage of these free offerings, throughout their careers. Follow the Training and Development links at **www.michigan.gov/mdcs** for details.
- **Advisor Services.** CitiStreet currently offers plan participants help with retirement and investment planning. CitiStreet Advisor Service, powered by Financial Engines®, is an exciting and effective way to get affordable financial planning tools. For complete information, log on to the Plan Web site at **<http://stateofmi.csplans.com>**, or you can call the Plan Information Line at (800) 748-6128.

Don't Delay. The financial pros say: The worst mistake you can make is to procrastinate because you're afraid of making a wrong decision, or because you don't think you know enough. Please consider getting started now!

Take control of your
investments and log in
to the Plan Web site at
<http://stateofmi.csplans.com>.

IV. Added Benefits: Disability and Insurance Protection



duty disability

nonduty disability

Besides being able to take your retirement account (all of your own contributions and any vested state contributions) when you leave state employment, your state plan also provides disability protection while you're working, and group insurance coverage after you retire.

If You Become Disabled

If you become totally incapacitated because of an injury or illness incurred at work, a ***duty disability*** benefit may be payable regardless of how long you have been employed by the state. Your ***nonduty disability*** protection (from an illness or injury incurred outside of work) begins when you have the equivalent of 10 years state employment. In both cases, you must be totally incapacitated and the disability must be permanent to be eligible for a benefit. Complete information about this benefit is available from ORS.

Consider additional protection.

Many people, especially in the early years of employment, enhance their protection by enrolling in the long-term disability insurance plan offered by the state. Your human resource office and the Department of Civil Service's Employee Benefits Division can provide details on this optional coverage for active (working) state employees.

Your Group Insurance Benefits

Health, dental, and vision insurance coverage in retirement is also available, depending on your age and service with the state of Michigan. If you have at least 10 years of service, the state will offset your premium payment. With 10 years, a 30 percent premium subsidy is available. The subsidy increases by an additional 3 percent for each additional year of service. The maximum subsidy level is 90 percent for those who have 30 or more years of state employment.

Insurance Protection for Your Dependents

In general, your eligible dependents are entitled to group insurance coverage as long as you are eligible. Upon your death, they may be eligible to have their insurance continue. Complete information about this benefit is available from ORS.



V. We're Here to Help

We hope that you now have a basic understanding of the retirement plan that you will enjoy as a state employee. If you have any questions, please don't hesitate to contact CitiStreet about your 401(k) or 457 plans. If you have questions about retirement insurance benefits, death, or disability, please contact ORS. The ORS vision—*fast easy access to complete and accurate information and exceptional service*—is one we take very seriously.



Your Responsibilities

- **Read this publication.**
- **Review CitiStreet's information packet as soon as you receive it.**
- **Tell CitiStreet how you want your state and personal contributions invested.**
- **Consider starting your 3 percent (at least!) payroll deduction into your 401(k) Plan as soon as you can.**
- **Sign up for the free classes to learn about your plan provisions and investment options.**
- **Actively manage your retirement funds throughout your career.**
- **Keep your beneficiary information current with CitiStreet.**

CITISTREET AT YOUR SERVICE

CitiStreet is your one-stop shop for questions about and access to your 401(k) and 457 plans. Use CitiStreet's Plan Web site or Plan Information Line for information and account transactions.



<http://stateofmi.csplans.com>



P.O. Box 55497
Boston, MA 02205-5497



CitiStreet Plan Information Line
(800) 748-6128

Representatives available 9:00 - 5:00
Automated account access available 24
hours/day, 7 days/week.

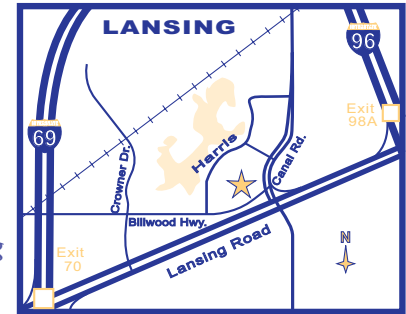


**CitiStreet Office -
Lansing**

Phone (517) 636-6077
(800) 381-5111
for appointment

General Office Building
Corner of Harris Drive and Ricks Road

*From I-96, take Exit 98A-South Lansing
Road to Canal Road. ORS is in the 3-
story brick building bordered by Canal
Road, Ricks Road, Harris Drive, and Billwood Highway.*



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ORS AT YOUR SERVICE

ORS can answer your questions about eligibility, disability, death, and retirement insurance benefits.



www.michigan.gov/ors



ORSCustomerService@michigan.gov



P.O. Box 30171
Lansing, MI 48909-7671



(800) 381-5111
Within Lansing (517) 322-5103



Main Office - Lansing
Walk-ins welcome
8:30 - 5:00

General Office Building
Corner of Harris Drive and Ricks Road

From I-96, take Exit 98A-South Lansing Road to Canal Road. ORS is in the 3-story brick building bordered by Canal Road, Ricks Road, Harris Drive, and Billwood Highway.



Outreach Office - Detroit
Phone (313) 456-4010 for appointment

Cadillac Place
3068 W. Grand Blvd., Suite 4-700
Phone (313) 456-4010

From I-75, take Exit 54-Clay Ave/ E Grand Blvd. Head west on East Grand Boulevard for about 3/4 mile to Cadillac Place.



From I-94, take northbound US-10 (Lodge Freeway) to W Grand Blvd exit. Proceed east 3 blocks on West Grand Boulevard to Cadillac Place.



State of Michigan
Office of Retirement Services
P.O. Box 30171
Lansing, MI 48909-7671